

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1664 - SB 1633

February 1, 2016

SUMMARY OF BILL: Repeals the four-year property tax exemption for rural electric cooperatives on newly-constructed cooperative facilities and plants. Requires cooperatives to maintain possession of abandoned property for a length of time determined by statutory requirements. Sets forth distribution options of unclaimed abandoned property available to cooperatives after a period of 18 months.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue – Exceeds \$20,000 Per Project

Assumptions:

- This bill is only applicable to local government. No fiscal impact to state government.
- Based on information from Tennessee Electric Cooperative Association's website, there are 23 electric cooperatives in Tennessee.
- At least one electric cooperative is planning to build a new headquarters that would qualify under current law for the current four-year tax exemption.
- The extent of any local property taxes that would be paid on any newly-constructed electric cooperative facility or plant is unknown and dependent on specifics related to any such new facility; however, such amount is reasonably estimated to exceed \$5,000 per year.
- Therefore, the repeal on the current four-year electric cooperative property tax exemption is reasonably estimated to generate an increase in local revenue of at least \$5,000 per fiscal year for each of the four years following completed construction; a total estimated to exceed \$20,000 per project.
- Pursuant to Tenn. Code Ann. § 66-27-113, electric cooperatives that hold funds or property that is presumed to be abandoned shall file a report with the State Treasurer's office.
- Any permissive local impact as a result of electric cooperatives distributing abandoned property after a period of 18 months is estimated to be not significant.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds \$20,000 Per Project

Increase Business Expenditures – Exceeds \$20,000 Per Project

Assumption:

- Cooperatives will utilize a customer rate increase to offset the local property taxes due on newly constructed facilities and plants. The total increase in expenditures and revenue to electric cooperatives is estimated to exceed \$20,000 per project over the four year period after construction.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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